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SUBJECT: UNRWA'S November 2009 Advisory Commission Meeting

Summary

1. (SBU) At the November 17-19 Advisory Commission (AdCom) meeting of the United Nations Relief and Works Agency (UNRWA), Commissioner General Karen AbuZayd highlighted chronic funding shortfalls and looked to host and donor governments to consider innovative ways to finance UNRWA operations. UNRWA officials described continued operational challenges created by access restrictions in Gaza and the West Bank, deplorable camp conditions in Lebanon, and poverty and youth unemployment in Jordan and Syria. Deputy Commissioner General Filippo Grandi presented a bleak budget outlook for 2010, predicting a USD 140 million shortfall in the USD 571 million budget. PRM Assistant Secretary Eric P. Schwartz highlighted the USG commitment to sustaining Palestinian refugees, noting that the USG contributed USD 268 million to UNRWA in 2009, and urged donors to respond to the agency's financial crisis. End Summary.

UNRWA Commissioner General Karen AbuZayd
Urges Hosts and Donors to Persevere

2. (SBU) In her remarks, UNRWA Commissioner General AbuZayd urged AdCom members to sustain the climate of trust between host governments, donor governments, and UNRWA despite mounting challenges, and to enable the agency to continue to meet its mandate to serve Palestinian refugees. She stressed the gravity of UNRWA's financial situation, noting that UNRWA faces a shortfall of USD 90 million in 2009, of which USD 7.3 million represents basic running costs. She projected a 2010 budget deficit of USD 140 million. AbuZayd warned that chronic shortfalls are affecting the quantity and quality of UNRWA's health and education services, generating anxiety among refugees and host governments. She called upon AdCom members to support the proposals of the Working Group on the Financing of UNRWA and request that the UN review the nature and level of funding provided to UNRWA from the UN regular budget.

3. (SBU) AbuZayd also highlighted the difficulties UNRWA faces on the ground in the West Bank and Gaza. She said that access and movement restrictions on Gaza have tripled the number of residents categorized as "abject poor" to 300,000. AbuZayd also warned that the psychological damage caused by the conflict to Gaza's children creates ripe conditions for radicalization and extremism. She noted that in the West Bank, accelerated settler violence and increased demolition and displacement created a greater need for protection. She urged AdCom members to advocate and work for a just and lasting solution to the refugee issue, arguing that this is as important as financial support to UNRWA.

UNRWA Developments in West Bank,
Gaza, Lebanon, Jordan and Syria

4. (SBU) Each of UNRWA's five field directors described the

operational challenges they faced and the progress they achieved over the last six months since the June AdCom meeting:

-- Gaza: UNRWA Field Director John Ging stated that since the "massive Israeli assault" eleven months ago, there has been "no recovery, no reconstruction, and no economy." Current conditions undermine the hope of even the most stalwart, he said. Ging noted that supplies to Gaza over the past seven months have averaged 20 percent of the pre-June 2007 volume, and that despite the U.S.-negotiated Agreement on Movement and Access, Israeli authorities have unilaterally declared Sufa and (soon) Nahal Oz crossings closed. Only 65 percent of Gazans have regular access to water, while 94 percent of the private sector workforce is unemployed, he added. Within this restrictive framework, Ging said, there is positive cooperation between UNRWA and the Israeli Ministry of Defense. Ging noted that 90 percent of the UNRWA/Gaza budget is for staff salaries. Citing shortfalls in UNRWA's regular budget, Ging expressed concern that his local staff may face additional financial hardships despite their "heroic performance" in 2009. Meanwhile, he noted, Palestinian Authority teachers, who are being paid despite not working, received a 7 percent salary increase.

-- West Bank: UNRWA Field Director Barbara Shenstone noted that refugees in the West Bank continue to live in a protracted humanitarian crisis, at the core of which, she said, is the "military occupation." She assessed that West Bank poverty rates stand at roughly 40 percent, and unemployment in the most vulnerable communities is as high as 50 percent. She added that an uncertain political and security environment exacerbates these social conditions, increasing Palestinian anxiety -- as demonstrated, for example, through a rise in domestic violence. Shenstone highlighted UNRWA/West Bank's focus on safeguarding and advancing the rights of

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refugees with a range of UNRWA programs. She noted that UNRWA seeks to reduce violence and enhance social studies and the human rights curriculum in the schools, while improving psycho-social care and mobile health services to vulnerable groups.

-- Lebanon: UNRWA Field Director Salvatore Lombardo said that substandard living conditions in the camps in Lebanon have a very real and severe impact on the minds of Palestinian refugees. Lombardo said that he hoped that in 2010, a new Lebanese Council of Ministers would tackle questions regarding Palestinian rights, and that new partnerships with community-based organizations would begin to realize improvements in the camps. He highlighted UNRWA/Lebanon's achievements in starting the reconstruction of Nahr al Bared camp despite legal and other obstacles, and in ending (with only a few exceptions) double-shift schooling. Lombardo also noted a new partnership with the Palestinian Red Crescent Society in providing hospitalization services to the refugees.

-- Syria: UNRWA's new Field Director Roger Hearn said that in 2010, UNRWA/Syria would focus on camp improvement initiatives, the continued rehabilitation of Neirab camp in northern Syria, and engaging refugee youth. Hearn worried, however, that UNRWA's budget crisis may result in further operational cutbacks beyond suspension of all travel, training, and hiring recently implemented in the Syria field. In 2010, he said, UNRWA/Syria will have to cut back on pharmaceutical purchases, discontinue breast cancer screening, provision of prosthetics, physical therapy for disabled, and maintenance of vehicles. Even with these cutbacks, Hearn predicted that UNRWA/Syria will still fall \$1.5 million short of its allocated budget.

-- Jordan: UNRWA Field Director Richard Cook said that the global economic crisis has impacted UNRWA's daily operations. At the same time, he said, more refugees are seeking UNRWA assistance due to economic hardship. Cook noted that UNRWA's 2009 field budget was USD 122 million, against which only USD 104 million was received. As a result, UNRWA/Jordan has frozen capital equipment expenditures (such as school desks, medical equipment, and computers) and facilities maintenance and repair. Cook said that 80 percent of the field budget is allocated for staffing and cited difficulties in retaining qualified medical staff, resulting in additional pressures on existing staff. UNRWA/Jordan's education program represents 73

percent of the budget, but 92 percent of schools in Jordan operate on double shifts. Cook has so far during 2009 cut back UNRWA vocational training courses, hospitalization benefits, purchase of medicines, and support to high risk maternal deliveries. He expects in 2010 to further cut back spending on school textbooks and cash assistance to the poorest refugees.

UNRWA Financial Overview for 2009; Outlook for 2010

15. (SBU) In his presentation to the AdCom, UNRWA Deputy Commissioner General Filippo Grandi stated that UNRWA is facing a 2009 budget deficit of USD 90 million, down from the USD 107 million presented in June 2009. Of that USD 90 million, USD 7.3 million represents essential running costs. To compensate for this deficit, UNRWA has reduced hospitalization reimbursement, provision of medication, staff training, staff hiring, and maintenance of facilities. UNRWA has also instituted a freeze in pay raises, leading the UNRWA staff unions to declare a strike for all UNRWA area staff for the same day as the AdCom. Grandi noted that the 2009 Emergency Appeals for West Bank and Gaza are 71 percent funded while the Lebanon Emergency Appeal for the Reconstruction of Nahr El Bared is 28 percent funded.

16. (SBU) Grandi predicted that UNRWA's 2010 program budget of USD 571 million would fall short by USD 140 million. Of the USD 140 million projected deficit, USD 54.4 million represents essential running costs, including staff salaries and building operations. As a result, UNRWA will be forced to continue its salary freeze and may have to implement further cuts to hospitalization benefits, cancer screening, physical rehabilitation for disabled, oral health clinics, medications, and provision of textbooks. Meanwhile, other elements traditionally part of the regular budget will be "projectized," i.e. individual donors will be asked to support these costs directly on a bilateral basis. Examples include school building construction and maintenance projects, and the purchase of medicines for non-communicable diseases. Grandi made clear that while it has and will continue to find efficiencies through its management reform process, these cost savings will not compensate for the increased demand for UNRWA services and its chronic funding shortfall.

Host Governments Highlight Political

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Context of Refugee Issue

17. (SBU) Jordanian Foreign Minister Judeh highlighted his government's efforts to achieve regional peace with "a Palestinian state on the 1967 borders with Jerusalem as its capital" and an Israeli withdrawal from "all Arab land, including that belonging to Syria." He called on Israel to halt settlement construction and on the international community to "prevent and condemn unilateral Israeli actions in East Jerusalem, which is Palestinian and part of the West Bank." He stated that refugee issues should not be discussed separately from the broader peace issues and that the refugees are "at the heart of a comprehensive peace." Representatives of the Governments of Syria, Lebanon and Jordan made statements rejecting the proposal that UNRWA scale back benefits to Palestinian refugees, and called upon donors to cover the anticipated deficit.

Donor Governments Agree More is Needed

18. (SBU) PRM Assistant Secretary Schwartz stressed the USG's commitment to support Palestinian refugees, noting that U.S. contributions to UNRWA reached USD 268 million in 2009. He expressed deep concern about the humanitarian conditions facing refugees as well as the agency's financial outlook for 2010. Several donor government representatives agreed that UNRWA's chronic budget shortfalls are unsustainable, but none offered a clear path forward. Norway specifically pointed to the Arab League's unfulfilled commitment to provide 7.8 percent of UNRWA's regular

budget. Meanwhile, UNRWA External Relations Director Fabian McKinnon said that through the Resource Mobilization Strategy, UNRWA would intensify its efforts to strengthen fundraising programs and find new fundraising markets, including private corporations and foundations. He invited AdCom members to consider the concept of a "compact" with UNRWA, entering into new partnerships to place UNRWA on sound financial footing.

[19](#). (U) PRM/ANE has cleared this message.